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C O N F I D E N T I A L SECTION 01 OF 03 KYIV 004295

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SUBJECT: UKRAINE: EMBATTLED FM SUPPORTS ENGAGEMENT WITH
YANUKOVYCH - "HE HAS CHANGED"

REF: KYIV 4285

Classified By: Ambassador for reasons 1.4(a,b,d).

1. (C) Summary: "Orange" and embattled Foreign Minister Borys Tarasyuk told visiting EUR A/S Fried that the U.S. approach to PM Yanukovych and the Party of Regions coalition was correct, arguing that Yanukovych had changed for the better. He noted that the PM's upcoming U.S. visit, and his desire to change his image (badly tarnished in 2004), gave us the opportunity to challenge the PM to maintain the pace of democratic reforms in the country -- something that we could assess through his concrete deeds. The FM said that the new government was now united in moving forward on WTO, suggesting that Ukraine could be a full member in the organization by mid-February 2007. Tarasyuk also described Ukraine's relations with Russia, Moldova and Georgia, and worried about the negative affect of difficult Polish-German relations on Ukraine. End Summary.

2. (C) Comment: Tarasyuk met with Fried after a long day answering tough questions from the Regions-dominated Rada over his performance as FM over the past few months. As described reftel, the Rada will decide whether or not to vote on whether Tarasyuk will remain at the MFA the week of November 28. Therefore, it was surprising to hear Tarasyuk endorse our policy of engaging the PM and judging the new government on the basis of its concrete actions rather than past misdeeds of its members. Tarasyuk had little to say about his Rada appearance, except to argue vigorously that the charges of corruption against his colleague at the Defense Ministry, Anatoliy Hrytsenko, were misplaced, since the events under discussion had all taken place prior to Hrytsenko's start at the Ministry. End Comment.

On The Right Track - Engaging Yanukovych

3. (C) Tarasyuk began the conversation by noting that the U.S.-Russian agreement on a WTO bilateral had made it easier for Ukraine to move ahead. The President, PM and Rada Speaker had all agreed, and Tarasyuk predicted that Ukraine could join by mid-February 2007. In the FM's view, the coalition was on track for now, but President Yushchenko still wanted to unite the country, and in his mind, that meant cooperation between Regions and Our Ukraine political forces was key. Yushchenko was committed to pursuing a cooperative course, but he was not extremely optimistic about its success.

4. (C) Nevertheless, Yushchenko's continued push toward cooperation had shown results. Referring to a 7-hour meeting November 13 between Yushchenko and Yanukovych, the FM noted that the PM had been more restrained in his comments over the past few days -- a change from the past weekend when the PM had personally and publicly attacked Tarasyuk in the press. He said that at the opening of the November 15 cabinet

meeting, the PM had spoken in a measured tone about his "orange" ministers, noting that he had "no complaints" about their performance. The problem, in Yanukovych's view, was that these ministers needed to define themselves politically -- were they in the opposition or not? This new restrained tone was a direct result of the November 13 meeting and Tarasyuk said that Yushchenko was determined to continue to seek regular meetings with the PM.

15. (C) Tarasyuk argued that preserving democracy in Ukraine was task number one and above politics -- and Yushchenko, as guarantor of the constitution, had done what he had to do when he agreed to make Yanukovych PM. In Tarasyuk's view, Yanukovych was "different" in 2006 than he was in 2004 and both Yanukovych and Yushchenko were learning to deal with each other as "ex-adversaries." Tarasyuk quipped, "we (their advisors) are also learning," however, Yanukovych's team is "much more negative on working together" than the PM is. Although the PM's team is not pro-Yanukovych "anti-democratic in principle," they are tempted to work in the shadow economy. But as time passes, Tarasyuk said that he is increasingly convinced that if Yanukovych and Yushchenko work together, the country will benefit politically.

16. (C) Even on NATO, Tarasyuk stressed that Yanukovych had changed for the better; only the tactics differed now between Yushchenko and Yanukovych regarding eventual membership. Tarasyuk noted that this was a leap for Yanukovych - in the 2004 and 2006 elections, Yanukovych had been a stalwart opponent of ties with NATO. The problem now was the strong current of feeling against NATO membership within the Regions Party and the Yanukovych-led anti-Crisis Coalition. The key issue was MAP and Yushchenko was working this hard. But anti-NATO feeling in the party and the coalition will make it

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hard for Yanukovych to move ahead toward NATO.

17. (C) Tarasyuk said that the U.S. strategy to challenge Yanukovych to remain committed to democratic reform in Ukraine and judge him by his concrete deeds was correct. Like Kuchma, Yanukovych knows that he has an image problem in the West, but unlike Kuchma, Yanukovych is determined to change it, particularly in Washington during his December trip. Tarasyuk said that the PM wants to overcome his image from 2004 and his reputation as a pro-Russian, non-democratic oligarch. In fact, the "pro-Russian" image of the Party of Regions government was a myth. No one in the government wanted to be under Russian control and Ukrainian businessmen did not want Russian business on their turf.

The Neighbors - Views of Russia, Georgia, Moldova

18. (C) A/S Fried asked about the rumors that in a "grand deal," the new government would be willing to exchange NATO membership, a longer lease for the Russian Black Sea Fleet and even democracy in order to get cheap gas from Russia. Tarasyuk said that wasn't true, and noted that the Yanukovych team was convinced that it now had a solid three year deal with Russia for natural gas priced at 130 USD/tcm. In Tarasyuk's opinion, Yanukovych had made setting the gas price his number one priority upon taking office -- and now that a deal had been reached, he felt that the pressure from Russia was off. Fried mentioned that the U.S. had no desire to encourage Ukrainian tension with Russia. In fact, the Russians had a tougher task - encouraging Ukraine to stay distant from the West - and that would be harder to achieve.

19. (C) Prefacing his comments regarding Georgia with the statement that "the President has enormous constitutional powers in foreign policy," Tarasyuk stated that there would be no change in Ukraine's supportive policy toward Georgia - the MFA was in charge. Tarasyuk acknowledged that the Georgians needed to work harder to establish good relations with the new government, especially between the two prime ministers, similar to the close relationship that he had with

his counterpart. He acknowledged that some in the Yanukovych/Regions team were uncomfortable with Ukraine's Georgia policy, but that this policy was firmly under Yushchenko's control. Unlike the Moldovans, the Georgians were moving in the right direction although Tarasyuk noted that the Georgian actions over the past months, (e.g. the handling of the four accused spies) had been taken as a personal insult by Putin.

¶10. (C) Tarasyuk said that as a neighboring country, the situation regarding Moldova was different. On the positive side, the new Ukrainian government had accepted the need to honor the customs agreement, support EUBAM, etc. And all understood that it was not possible to return to the Kuchma period when the border was simply a huge smuggling zone. However, the Moldovans were "difficult people to work with" and their "selfish behavior" did not allow them to see that the Ukrainians were carrying the major burden of the current policy. For example, the Ukrainians had long used the shortest railway connections to transport goods to and through Moldova. However, now that they had agreed to use the longer route, the Moldovans had taken advantage of the situation by increasing the tariffs on Ukrainian trains.

¶11. (C) The previous government had worked hard to change this situation, but the new team had less patience. They told the Moldovans to stop it -- and when they refused, the new government said that they would close the bridge and cut connections. And that is what they did. Although the Moldovans complained to the OSCE, the U.S. and the EU, that they were the "victims," the Moldovans had contributed to the situation. Despite this, according to Tarasyuk, Ukraine remains firmly committed to the negotiations, noting that he had raised with Lavrov during his Kyiv visit the importance of re-starting the 5 2 talks -- and Lavrov agreed in principle. Even on the negotiations front, the Moldovans were complicating the issue by continuing to talk bilaterally with the Russians on resolving the situation.

Polish-German Relations - A Problem for Ukraine

¶12. (C) Tarasyuk said that he remained very concerned that rocky atmospherics between Poland and Germany were hurting Ukraine, especially as Germany prepared to take over the EU Presidency. He said that the Ukrainians had been working to get Poland, as Ukraine's key advocate in Europe, back into Germany's good graces. Tarasyuk urged the U.S. to use our good relationship with Angela Merkel to increase German interest in Ukraine and closer Ukrainian relations with the EU. Tarasyuk noted that it has already been two years since

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a high-level German official agreed to visit Ukraine.

¶13. (U) This cable has been cleared by A/S Fried.

¶14. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
Taylor